

Message Text

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PASS TREASURY FOR WIDMAN, FRB FOR JUNZ, CEA FOR DAVIS

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SUBJECT: EDRC REVIEW OF PROCEDURES, JULY 7

REFS: (A) OECD DOCUMENT EDR(75)21

(B) OECD PARIS 23027 (SEPT. 1974)

(C) STATE 218437 (OCT. 1974)

(D) OECD PARIS 2343

(E) STATE 23472

(F) OECD PARIS 3728

1. SUMMARY. EDRC ON JULY 7 REVIEWED ITS ACTIVITIES OVER PAST YEAR AND CONSIDERED QUESTIONS OF SUBSTANCE AND PROCEDURE FOR WORK IN 1975-76. COMMITTEE MEMBERS COMMENTED ON DESIRABILITY OF ACCURATE AND INDEPENDENT SECRETARIAT FORECASTS WHICH SHOULD NOT BE EXCESSIVELY DILUTED IN DISCUSSIONS WITH COUNTRY REPRESENTATIVES IN DRAFTING SESSIONS AFTER EDRC MEETINGS. EDRC DELEGATES JUDGED FAVORABLY RECENT EXPERIMENT OF HOLDING PERIODIC INFORMATION MEETINGS ON SECRETARIAT'S CURRENT VIEWS ON MACRO-ECONOMIC DEVELOPMENTS IN MAJOR COUNTRIES AND PROPOSED TO MAKE THEM A PERMANENT FEATURE OF EDRC SCHEDULE.

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EDRC MEMBERS ALSO VOICED INTEREST IN STRONGER ROLE FOR

COMMITTEE IN FORMULATING CONCLUSIONS OF EDRC REVIEWS, PARTICULARLY GREATER ASSURANCE THAT CONCLUSIONS AS REFLECTED IN EDRC MEETING WOULD NOT BE BASICALLY MODIFIED IN SUBSEQUENT DISCUSSIONS BETWEEN SECRETARIAT AND COUNTRY REPS. IT WAS PROPOSED THAT EXAMINING COUNTRIES BECOME MORE INVOLVED IN POST-MEETING DELIBERATIONS AS MEANS OF ASSURING COMMITTEE INPUT. SECRETARIAT WILL ISSUE DOCUMENT SUMMARIZING CONCLUSIONS OF PROCEDURAL MEETING, WHICH WILL BE DISCUSSED AT BEGINNING OF 1975-76 SEASON, PROBABLY IN SEPTEMBER. END SUMMARY.

2. SUBSTANCE OF EDRC REVIEWS:

(A) FORECASTING: U.S. DEL NOTED THAT EDRC EXAMINATIONS RESULT IN PUBLISHED DOCUMENTS WHICH ARE WIDELY READ IN MANY MEMBER COUNTRIES, AND ACCORDINGLY SECRETARIAT AND COMMITTEE HAVE RESPONSIBILITY TO PRODUCE DOCUMENTS BASED ON MOST ACCURATE POSSIBLE FORECASTING. SINCE EDRC HAD AGREED TO DEFER COMMON THEME STUDIES OF MEDIUM-TERM AND STRUCTURAL PROBLEMS IN FAVOR OF CONCENTRATION ON SHORT-TERM POLICIES AND PROSPECTS DURING 1974-75, THIS SHOULD HAVE GIVEN SECRETARIAT OPPORTUNITY TO IMPROVE THE QUALITY OF ITS FORECASTING. U.S. SUGGESTED THAT SOME COMPARISON OF FORECASTS WITH ACTUAL PERFORMANCE SHOULD BE MADE EACH YEAR IN INTRODUCTORY PARAGRAPHS OF ANNUAL SURVEYS SHOWING WHAT WENT WRONG WITH LAST YEAR'S FORECAST, OR PERHAPS IN INTERNAL DOCUMENT ANALYZING MORE COMPREHENSIVELY SECRETARIAT'S PERFORMANCE IN FORECASTING OVER PAST FIVE YEARS, WITH SPECIAL EMPHASIS ON MOST RECENT YEAR. U.S. DEL NOTED RECENT STUDY IN CLAREMONT COLLEGE ECONOMIC PAPERS BY D. J. SMYTH AND J.C.K. ASH WHICH CONCLUDED THAT OECD FORECASTING RECORD HAS NOT BEEN GOOD.

(B) SECRETARIAT (ANDERSEN) ADMITTED IT HAD NOT BEEN ABLE TO SERVICE EDRC AS WELL AS WOULD HAVE LIKED OVER PAST TWO YEARS. CLAIMED THIS WAS MAINLY DUE TO NEED FOR THREE ANNUAL FORECASTING ROUNDS, INSTEAD OF TWO, DURING RECENT PERIOD OF ECONOMIC UNCERTAINTY. THERE HAS BEEN NO TIME TO WORK ON IMPROVEMENT OF FORECASTING TECHNIQUES

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WHICH SECRETARIAT RECOGNIZED SHOULD BE DONE. SECRETARIAT WOULD LIKE TO DO POST-MORTEM ON FORECASTING, PREFERABLY FOR INTERNAL DISTRIBUTION, AND HOPEFULLY CAN DO IT NEXT YEAR. IT BELIEVES SMYTH/ASH ARTICLE SIMPLISTIC AND NOT VERY HELPFUL, SINCE IT DOES NOT TAKE ACCOUNT OF "NO POLICY CHANGE" ASSUMPTION UNDERLYING OECD FORECASTS.

(C) INDEPENDENCE OF SECRETARIAT FORECASTS AND CON-
CLUSIONS: U.S. AND OTHER DELS STRESSED DESIRABILITY
THAT PUBLISHED SURVEYS CONTINUE TO BE SEEN AS INDEPEND-
ENT VIEWS OF OECD SECRETARIAT AND NOT BE CONFUSED WITH

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OFFICIAL VIEWS OF COUNTRY CONCERNED. RECENT INSTANCES
WERE NOTED OF COUNTRIES SEEKING TO HAVE SECRETARIAT FORE-
CASTS OR CONCLUSIONS MODIFIED TO CONFORM WITH DOMESTIC
POLITICAL OR ECONOMIC OBJECTIVES. SECRETARIAT ASKED
EDRC TO GIVE ITS STRONG SUPPORT TO SECRETARIAT INDEPEND-
ENCE IN POST-MEETING DISCUSSIONS WITH COUNTRY REPRE-
SENTATIVES. ANDERSEN FELT THAT ON THE WHOLE, INDEPEND-
ENCE HAS INCREASED OVER TIME BUT THERE IS STILL ONLY A
MINORITY OF OECD COUNTRIES THAT ARE PREPARED TO ACCEPT
COMPLETELY INDEPENDENT OECD FORECASTS IN PUBLISHED SUR-
VEYS. ALSO, IN RECENT YEARS THERE HAVE BEEN SEVERAL
CASES OF COUNTRIES PLACING STRICTER LIMITS ON WHAT OECD
COULD SAY IN ITS REPORTS, AND THERE HAVE BEEN INSTANCES
IN WHICH JOURNALISTS COMPARED LEAKED FIRST DRAFTS WITH
FINAL PUBLICATIONS AND DREW INFERENCE THAT PUBLISHED
CONCLUSIONS REPRESENTED OFFICIAL VIEWS OF COUNTRIES

WHILE FIRST DRAFTS EMBODIED VIEW OF OECD.

(D) EDRC PARTICIPATION IN FORMULATING CONCLUSIONS OF COUNTRY SURVEYS: GERMAN DEL STATED THAT RECOMMENDATIONS IN ANNUAL SURVEYS SHOULD REFLECT THE VIEWS OF EDRC GOVERNMENTS, NOT JUST SECRETARIAT, AND THERE SHOULD BE UNCLASSIFIED

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MORE OPPORTUNITY FOR EDRC REPS TO PARTICIPATE IN DISCUSSIONS OF CONCLUSIONS. THIS POINT WAS SUPPORTED BY U.K. AND NORWAY AS WELL AS BY U.S. DEL WHO, HOWEVER, CAUTIONED THAT ANY ROUGH CONSENSUS THAT EDRC REACHES AS A TECHNICAL COMMITTEE MUST NOT BE INTERPRETED AS REFLECTING POLICY VIEWS OF INDIVIDUAL COUNTRIES REPRESENTED IN EDRC. GERMAN DEL SUGGESTED THAT EDRC INPUT COULD BE BETTER ASSURED IF EXAMINING DELEGATES WERE TO BE PRESENT AT DRAFTING SESSIONS BETWEEN SECRETARIAT AND COUNTRY REPS AFTER CONCLUSION OF EACH ANNUAL REVIEW MEETING. U.K. SUGGESTED MEETINGS WOULD FOCUS MORE CLEARLY ON POLICY CONCLUSIONS CHAPTER OF ANNUAL REVIEWS IF SECRETARIAT'S MAIN ISSUES DOCUMENT POSED QUESTIONS TO COMMITTEE AS WELL AS TO COUNTRY BEING EXAMINED.

(E) SEVERAL COUNTRIES FAVORED GREATER COMMITTEE CONTROL OVER PRODUCT RESULTING FROM DRAFTING SESSIONS AFTER CONCLUSION OF PLENARY MEETINGS. THERE WAS WIDE SUPPORT FOR GREATER INVOLVEMENT OF EXAMINING COUNTRIES, AND GERMANY AND AUSTRIA PROPOSED IN ADDITION THAT EDRC CHAIRMAN SHOULD PARTICIPATE IN DRAFTING SESSIONS IN ORDER TO STRENGTHEN COMMITTEE'S ROLE. CHAIRMAN DECLINED TO PARTICIPATE IN DRAFTING EXERCISES, WHICH OFTEN DEAL WITH MINUTE DETAILS AND SOMETIMES TAKE DAYS OR EVEN WEEKS TO COMPLETE AFTER CONCLUSION OF MEETING. CHAIRMAN AGREED, HOWEVER, THAT IN CASES WHERE DIFFERENCES OF OPINION PERSIST BETWEEN SECRETARIAT AND COUNTRY REPS HE WOULD ARBITRATE BETWEEN TWO SIDES. HE SUPPORTED INVOLVING EXAMINING COUNTRIES IN REVIEWING REVISED SURVEY BEFORE ITS CIRCULATION TO FULL COMMITTEE, BUT DID NOT CONSIDER IT PRACTICAL FOR EXAMINERS TO STAY FOR LENGTHY DRAFTING SESSION. SECRETARIAT SUGGESTED THAT EXAMINERS MIGHT STAY ONLY LONG ENOUGH TO DISCUSS RECOMMENDATIONS AND CONCLUSIONS. CHAIRMAN ENDORSED U.S. PROPOSAL THAT REVISED DRAFT SURVEY SHOULD BE RETURNED TO COMMITTEE WITHIN MAXIMUM PERIOD OF TWO TO THREE WEEKS, OR IF NOT, EXPLANATION SHOULD BE GIVEN TO COMMITTEE OF REASONS FOR EXTENDED DELAYS. (THIS INTENDED TO AVOID PROLONGED NEGOTIATIONS BETWEEN SECRETARIAT AND EXAMINED COUNTRY WHICH IN SEVERAL CASES OVER PAST YEAR DELAYED PUBLICATION OF ANNUAL SURVEY BY TWO OR THREE MONTHS.) UNCLASSIFIED

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3. COMMITTEE PROCEDURES:

(A) COUNTRY MEMORANDA PRIOR TO MEETINGS: IN RESPONSE TO SUGGESTIONS FROM SEVERAL EDRC DELEGATES THAT IT WAS OFTEN BURDENSOME TO DO LONG PREPARATORY MEMORANDA AND THAT THESE DOCUMENTS WERE NOT VERY USEFUL FOR DISCUSSIONS IN COMMITTEE, SECRETARIAT SUGGESTED THAT BEST PROCEDURE WOULD BE SUBMISSION OF SHORT, SNAPPY DOCUMENT CLOSE TO DATE OF ANNUAL REVIEW ANALYZING MAIN POLICY PROBLEMS AND PROVIDING MOST RECENT INFORMATION ON ECONOMIC DEVELOPMENTS FOR USE BY COMMITTEE DURING EXAMINATION. SECRETARIAT ITSELF PREFERS LONGER MEMORANDUM PREPARED WELL IN ADVANCE OF MEETING, BUT DELEGATES WOULD GET MORE USE FROM SHORT SUMMARY OF 5-10 PAGES WHICH WOULD BE CIRCULATED JUST PRIOR TO MEETING.

(B) INFORMATION MEETINGS: U.S. DEL NOTED THAT INFORMATION MEETINGS ON RECENT MACRO-ECONOMIC DEVELOPMENTS IN MAJOR COUNTRIES, SUCH AS THOSE HELD IN SEPTEMBER AND FEBRUARY (SEE REFS D, E AND F) OF PAST YEAR,

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WERE VERY USEFUL. HE SUGGESTED THEY SHOULD BECOME PART OF REGULAR EDRC SCHEDULE AND THAT IF ECONOMIC SITUATION WAS CHANGING VERY RAPIDLY, IT MIGHT BE USEFUL TO HAVE THIRD MEETING IN LATE APRIL, PRIOR TO SHORT-TERM FORECASTERS AND EPC DELIBERATIONS. SECRETARIAT AGREED THAT TWO OR THREE HALF-DAY MEETINGS OF THIS TYPE DURING THE YEAR WERE USEFUL AND COULD BE MADE PART OF REGULAR EDRC SCHEDULE.

4. CALENDAR FOR 1975-76 AND PERIODICITY OF REVIEWS:

(A) PERIODICITY OF REVIEWS: IN CONTRAST WITH EXTENSIVE DISCUSSION OF FREQUENCY OF COUNTRY SURVEYS AT PROCEDURES MEETING LAST YEAR, THERE WERE NO SUGGESTIONS BY EDRC MEMBERS THAT SURVEYS SHOULD TAKE PLACE LESS FREQUENTLY THAN PRESENT ANNUAL BASIS. HOWEVER, SECRETARIAT, WHICH HAD STRONGLY DEFENDED ANNUAL BASIS OF REVIEWS LAST YEAR, NOTED IT MIGHT BECOME NECESSARY TO RECONSIDER EDRC MANDATE OF ANNUAL REVIEWS IN THE EVENT THAT COUNCIL DECIDES AS ECONOMY MEASURE THAT COUNTRY REVIEWS SHOULD BE HELD LESS FREQUENTLY.

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(B) CALENDAR FOR 1975-76: SECRETARIAT IS PARTICULARLY ANXIOUS TO AVOID BUNCHING OF MEETINGS IN MAY/JUNE PERIOD, AS HAS OCCURRED OVER PAST SEVERAL YEARS. THIS HAS NOT ONLY TAXED SECRETARIAT RESOURCES, BUT ALSO MADE IT DIFFICULT FOR EDRC REPS TO MAKE NECESSARY PREPARATIONS DUE TO FREQUENCY OF MEETINGS IN PERIOD LEADING UP TO SUMMER BREAK. SECRETARIAT INVITED "OVERSEAS" COUNTRIES WHICH TRADITIONALLY HAVE EXAMINATIONS IN JUNE TO PERMIT PARTICIPATION BY THEIR DELEGATES TO EPC (E.G. U.S., CANADA, JAPAN, AUSTRALIA) TO CONSIDER ALTERNATIVE DATES IF AT ALL POSSIBLE. JAPANESE DEL SUGGESTED THAT SOME COUNTRIES MIGHT BE ABLE TO COMBINE THEIR REVIEWS WITH EPC MEETING IN NOVEMBER.

5. ACTION REQUESTED: MISSION WOULD APPRECIATE ANY WASHINGTON COMMENTS ON DISCUSSION AND PROPOSALS DESCRIBED ABOVE FOR USE AT FURTHER EDRC MEETING ON PROCEDURES, PRESUMABLY IN SEPTEMBER. WE WOULD PARTICULARLY WELCOME U.S. VIEWS ON SUGGESTIONS THAT (A) COUNTRIES PROVIDE SHORT 5- TO 10-PAGE SUMMARIES OF RECENT ECONOMIC

DEVELOPMENTS AND POLICIES IMMEDIATELY PRIOR TO ANNUAL REVIEW; (B) EXAMINING COUNTRIES PARTICIPATE IN POST-MEETING DRAFTING SESSIONS, AT LEAST FOR DISCUSSION OF CONCLUSIONS; AND (C) COUNTRIES WITH REVIEWS SCHEDULED IN JUNE CONSIDER ALTERNATIVE DATES, PERHAPS CLOSE TO NOVEMBER EPC MEETING.
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